

**U.S. House of Representatives  
Committee on Agriculture  
Subcommittee on  
Department Operations, Oversight, Dairy, Nutrition and Forestry  
Gil Gutknecht (R-MN), Chairman**

**Field Hearing  
May 31, 2006  
Winona State University  
Winona, Minn.**

**Bruce Maas  
Dairy Producer  
Associated Milk Producers Inc.**

Mr. Chairman and members of the committee, I appreciate your invitation to present my views and those of the 4,000 dairy farmer members of Associated Milk Producers Inc. (AMPI). My name is Bruce Maas and I am a dairy producer from Walnut Grove, Minn., and a member of the AMPI Board of Directors.

As the owner of a family farm and stakeholder in a leading Midwest dairy cooperative, my perspective on the state of the Midwest dairy industry is drawn from more than 25 years of experience in this industry. Today I will share that perspective, providing a Midwest dairy industry snapshot, AMPI's policy priority for the 2007 farm bill and, finally, the competitive disadvantage shared by most of this region's dairy producers.

First, an industry snapshot. The picture has changed significantly in 25 years. There are fewer cows, fewer dairy producers and fewer manufacturing plants. This region has lost market share to our western counterparts. But don't think we're ready to board up parlors and plants. Though overall market share isn't growing, we're slowly reinvesting in our industry infrastructure.

A look at a picture of my family dairy reveals an image similar to many across the region. My wife Maydra and I have added a parlor, free-stall barn and more cows. Most important, our son Jared has joined the family farm. That's a sign we're optimistic about producing milk.

Our milk is manufactured into dairy products and marketed through AMPI. Our cooperative has closed a small number of our plants in the past 25 years, but added as much capacity to other facilities which enable us to make products with a higher dollar return.

As a producer, I'm willing to invest in my farm and dairy cooperative if there's an adequate dairy price safety net. Establishing that safety net is, in fact, AMPI's

dairy policy priority for the 2007 Farm Bill. Let me share four ideas for crafting a strong safety net:

1. Increase the support price. The current \$9.90 dairy support price is inadequate, unchanged since the 1980s.
2. Make it realistic. The USDA's Commodity Credit Corporation (CCC) must increase the milk price equivalent it's paying to remove dairy products from the open market. Because of increased manufacturing costs, the support program today gives dairy producers about \$1 dollar less than Congress intended when enacting the support program.
3. Provide a countercyclical payment. AMPI and other members of the Midwest Dairy Coalition believe the Milk Income Loss Contract (MILC) is needed to further strengthen the overall safety net. The dairy price support program alone is inadequate and results in much less than the intended \$9.90 level. When combining the MILC program with the dairy price support program, producers are supported on their first 2.4 million pounds of annual production.
4. Manage imports. The CCC shouldn't be buying the world's milk surplus. By closing trade loopholes, unrestricted dairy protein wouldn't enter the United States and displace domestically produced milk. AMPI has worked closely with the Midwest Dairy Coalition and the National Milk Producers Federation to close the loopholes through legislative action.

A strong safety net should not result in price enhancement, providing economic incentive for dairy producers to expand their businesses. It should prevent the collapse of milk prices to a level that can't financially sustain the operation of an average dairy farm. The dairy price support program should provide long-term, market-based income.

As Midwest dairy producers we don't expect special treatment. We just want a fair chance to walk the economic tight rope. To do that, we need a safety net and

a level playing field with the rest of the dairy industry. Right now we don't have that.

There's a regional disadvantage shared by nearly all dairy producers in the Midwest and many who manufacture dairy products throughout the nation.

Since most Midwest milk marketing cooperatives take raw milk and manufacture it into products like cheese, butter and nonfat dry milk, we are dealing with rapidly rising energy costs. Though we're trimming energy expenses, there are factors we can't address on our own.

Under its Federal Milk Marketing Order system, the United States Department of Agriculture must increase the permitted manufacturing make allowance.

AMPI is one of several cooperatives that requested the January 2006 hearing to review make allowances in the federal order Class III and IV formulas. The formulas continue to use data from 1998, which does not account for sharp increases in energy and other costs associated with manufacturing dairy products. As a result, the formulas place dairy product manufacturing cooperatives in financial peril and at a competitive disadvantage to those that sell most their milk into the fluid market.

Testimony presented at the January hearing overwhelmingly supported the need for emergency action on this issue. Increasing make allowances is crucial for the long-term economic health of cooperatives and their dairy farmer owners. If manufacturing cooperatives aren't profitable, this region's manufacturing infrastructure and producers' return on investment are at risk. With more than 85 percent of Midwest milk marketed through dairy cooperatives, this is a big deal.

We're still awaiting word from the USDA about how it will deal with this emergency request. This issue demands immediate attention and should not

take a back seat to politics. Midwest milk manufacturing cooperatives are at a growing disadvantage.

As a producer and cooperative member, I fully understand the three points I've raised today are tightly intertwined. I hope today's committee hearing will engage policy makers and industry stakeholders in an important debate and discussion about the Midwest dairy industry, dairy price support structure and a regional disadvantage through the federal order make allowances.

The challenge will be transforming today's words into ideas and action. Mr. Chairman, I want to thank the Committee for hosting this field hearing and allowing me to testify. I will be happy to answer any questions you might have.